

ORIGINAL

OPEN MEETING



0000119844

MEMORANDUM

RECEIVED

Arizona Corporation Commission

TO: THE COMMISSION

DOCKETED

230 NOV -5 P 3:40

FROM: Utilities Division

NOV - 5 2010

DOCKET CONTROL

DATE: November 5, 2010

DOCKETED BY

RE: REQUEST OF WILHOIT WATER COMPANY PURSUANT TO A.R.S. SECTION 40-252 TO AMEND DECISION NO. 71234 WHICH APPROVED THE APPLICATION OF WILHOIT WATER COMPANY, INC. -THUNDERBIRD MEADOWS SYSTEM, FOR FINANCING (DOCKET NOS. W-02065A-07-0306, W-02065A-07-0307, W-02065A-07-0312 AND W-02065A-08-0138).

**I. Introduction and Background**

On August 6, 2009, the Arizona Corporation Commission ("Commission") issued Decision No. 71234 which, among other things, authorized Wilhoit Water Company, Inc. - Thunderbird Meadows System ("Company") to incur long-term debt financing from the Water Infrastructure Finance Authority ("WIFA") in the amount of \$145,877 at an interest rate no greater than prime plus 2 percent, over 20 years, for the purpose of funding improvements to the Company's storage capacity. That Decision also approved incorporation of an infrastructure surcharge mechanism. Implementation of the actual surcharge was authorized in Decision No. 71905, issued September 28, 2010.

On March 10, 2010, pursuant to A.R.S. § 40-252, the Company filed a request to reopen the dockets and modify the loan amount that was authorized in Decision No 71234. According to the Company, the United States Environmental Protection Agency issued a memorandum declaring that all loans issued by WIFA must comply with Davis-Bacon Act Wage Requirements. To comply with all of the requirements of Davis-Bacon, the contractor selected by the Company was forced to revise the costs needed to install the new storage capacity. The Company asserted that the additional costs to comply with that requirement amount to \$14,123; therefore, the Company requested that Decision No. 71234 be amended to authorize it to borrow \$160,000 to complete the storage project.

In a Commission Staff meeting held August 31, 2010, the Commission voted to reopen the above-referenced dockets in order to reconsider Decision 71234, per the Company's request.

**II. Revised Estimated Loan Payments**

Based on an amended WIFA loan amount of \$160,000 and a 3.675 percent interest rate, the Company would need an additional \$5,521 and \$5,788 annually for principal and interest,

respectively, for a total of \$11,309 for debt service on the loan. This results in an increase of only about \$1,000 over the previously-approved annual loan payment amount of \$10,310.

#### **IV. Conclusions and Recommendations**

Staff concludes that authorization of an additional \$14,123, which equates to a revised WIFA loan amount of \$160,000, to ensure that the Company is compliant with the Davis-Bacon Act, is reasonable and appropriate.

Staff recommends that the Commission amend Decision No. 71234 to revise the Company's authorized loan amount to be \$160,000, subject to the same financing conditions as specified in that Decision.



Steven M. Olea  
Director  
Utilities Division

SMO:JMM:lhmm\JMA

ORIGINATOR: Jeffrey M. Michlik

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES  
Chairman  
GARY PIERCE  
Commissioner  
SANDRA KENNEDY  
Commissioner  
PAUL NEWMAN  
Commissioner  
BOB STUMP  
Commissioner

IN THE MATTER OF THE APPLICATION  
OF WILHOIT WATER COMPANY, INC. -  
THUNDERBIRD MEADOWS SYSTEM, AN  
ARIZONA CORPORATION, FOR  
APPROVAL OF FINANCING

DOCKET NOS. W-02065A-07-0306  
W-02065A-07-0307  
W-02065A-07-0312  
W-02065A-08-0138

DECISION NO. \_\_\_\_\_  
**ORDER AMENDING  
DECISION NO. 71234**

Open Meeting  
November 22 and 23, 2010  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Introduction and Background

1. On August 6, 2009, the Arizona Corporation Commission ("Commission") issued Decision No. 71234 which, among other things, authorized Wilhoit Water Company, Inc. – Thunderbird Meadows System ("Company") to incur long-term debt financing from the Water Infrastructure Finance Authority ("WIFA") in the amount of \$145,877 at an interest rate no greater than prime plus 2 percent, over 20 years, for the purpose of funding improvements to the Company's storage capacity.

2. That Decision also approved incorporation of an infrastructure surcharge mechanism. Implementation of the actual surcharge was authorized in Decision No. 71905, issued September 28, 2010.

1           3.       On March 10, 2010, pursuant to A.R.S. § 40-252, the Company filed a request to  
2 reopen the dockets and modify the loan amount that was authorized in Decision No 71234.

3           4.       According to the Company, the United States Environmental Protection Agency  
4 issued a memorandum declaring that all loans issued by WIFA must comply with Davis-Bacon  
5 Act Wage Requirements. To comply with all of the requirements of Davis-Bacon, the contractor  
6 selected by the Company was forced to revise the costs needed to install the new storage capacity.

7           5.       The Company asserted that the additional costs to comply with the Davis-Bacon  
8 requirements amount to \$14,123; therefore, the Company requested that Decision No. 71234 be  
9 amended to authorize it to borrow \$160,000 to complete the storage project.

10          6.       In a Commission Staff meeting held August 31, 2010, the Commission voted to  
11 reopen the above-referenced dockets in order to reconsider Decision 71234, per the Company's  
12 request.

13       **Revised Estimated Loan Payments**

14          7.       Based on an amended WIFA loan amount of \$160,000 and a 3.675 percent interest  
15 rate, Staff calculates that the Company would need an additional \$5,521 and \$5,788 annually for  
16 principal and interest, respectively, for a total of \$11,309 for debt service on the loan. This results  
17 in an increase of only about \$1,000 over the previously-approved annual loan payment amount of  
18 \$10,310.

19       **Conclusions and Recommendations**

20          8.       Staff concludes that authorization of an additional \$14,123, which equates to a  
21 revised WIFA loan amount of \$160,000, to ensure that the Company is compliant with the Davis-  
22 Bacon Act, is reasonable and appropriate.

23          9.       Staff recommends that the Commission amend Decision No. 71234 and revise the  
24 Company's authorized loan amount to be \$160,000, subject to the same financing conditions as  
25 specified in that Decision.

26          10.       We find that Staff's conclusions and recommendations are reasonable and  
27 appropriate and should be adopted.

28       ...

CONCLUSIONS OF LAW

1  
2           1.     The Company is a public service corporation within the meaning of Article XV of  
3 the Arizona Constitution.

4           2.     The Commission has jurisdiction over the Company and of the subject matter of the  
5 application pursuant to A.R.S. §§ 40-250 and 40-252.

6           3.     It is in the public interest to amend Decision No.71234 to modify the approved loan  
7 amount as discussed herein.

ORDER

8  
9           IT IS THEREFORE ORDERED that Decision No. 71234 is amended to modify the  
10 approved loan amount to be \$160,000.

11          IT IS FURTHER ORDERED that all other ordering paragraphs of Decision No. 71234  
12 shall remain in effect.

13          IT IS FURTHER ORDERED that Wilhoit Water Company, Inc.'s Thunderbird Meadows  
14 System is hereby authorized to engage in any transactions and to execute any documents necessary  
15 to effectuate the authorization granted herein.

16          IT IS FURTHER ORDERED that such authority is expressly contingent upon Wilhoit  
17 Water Company, Inc.'s Thunderbird Meadows System use of the proceeds for the purposes set  
18 forth in its application.

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28 ...

1 IT IS FURTHER ORDERED that Wilhoit Water Company, Inc.'s Thunderbird Meadows  
2 System shall file, within 60 days of obtaining such financing, with the Commission's Docket  
3 Control, as a compliance item in this docket, copies of all executed financing documents setting  
4 forth the terms of the additional financing.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6  
7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

8  
9 \_\_\_\_\_  
CHAIRMAN

COMMISSIONER

10  
11  
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13  
14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
15 Executive Director of the Arizona Corporation Commission,  
16 have hereunto, set my hand and caused the official seal of  
this Commission to be affixed at the Capitol, in the City of  
Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

17  
18  
19 \_\_\_\_\_  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

20  
21  
22 DISSENT: \_\_\_\_\_

23  
24 DISSENT: \_\_\_\_\_

25 SMO:JMM:lhmm\JMA

1 SERVICE LIST FOR: Wilhoit Water Company, Inc. – Thunderbird Meadows System  
2 DOCKET NOS. W-02065A-07-0306, W-02065A-07-0307, W-02065A-07-0312, and  
3 W-02065A-08-0138  
4

5 Mr. Jim West  
6 Authorized Representative  
7 West & Company, LLC.  
8 365 East Coronado Road, Suite 200  
9 Phoenix, Arizona 85004  
10

11 Mr. Steven M. Olea  
12 Director, Utilities Division  
13 Arizona Corporation Commission  
14 1200 West Washington  
15 Phoenix, Arizona 85007  
16

17 Ms. Janice Alward  
18 Chief, Legal Division  
19 Arizona Corporation Commission  
20 1200 West Washington  
21 Phoenix, Arizona 85007  
22  
23  
24  
25  
26  
27  
28